



## North Carolina Department of Health and Human Services

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Carmen Hooker Odom, Secretary

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### Memorandum

TO: Area/County Directors

FROM: Mike Moseley, Director, DMH/DD/SAS  
Gary Fuquay, Director, DMA

SUBJECT: Proposed Prospective Rates for New and Existing Medicaid State Plan MH/DD/SA Services for SFY 2006

DATE: October 19, 2004

Attached to this memorandum are the proposed FY 2006 Medicaid and non-Medicaid rates for new and existing services. These proposed rates are to be effective July 1, 2005. The new and revised service definitions may be viewed at either the DMH/DD/SAS or DMA website. The home page for both agencies will provide links to the definitions. The home page addresses are DMH/DD/SAS: <http://www.dhhs.state.nc.us/mhddsas/> and DMA: <http://www.dhhs.state.nc.us/dma/>.

Please note that there are a number of service definitions in the existing State Plan Rehabilitation Option service array that are currently under study, including children's residential treatment services and psycho-social rehabilitation. This transmittal lists the current rate for those services. If the study of those services results in changes to the definition, we will publish proposed revised rates for those services at the time the definition changes are being finalized.

In arriving at the proposed FY 2006 Medicaid rates, there were many factors that were considered in the calculation methodologies. The first factor was taking historical actual claims paid in FY 2003 multiplied by the rate in place for FY 2004 to give a real expended figure for projection into the new service definitions established jointly by DMA and DMH/DD/SAS. This volume of service costs was cross walked into the new service definitions with an anticipated utilization developed by DMH/DD/SAS. In addition to referencing rate information provided by TAC, multiple cost models were developed that factored in direct labor costs, supervisory labor costs, supply costs, and other administrative costs. Subject matter experts in all areas of service delivery were polled and asked for input into the calculations of the numerous cost models. Once all of this data was collected, the rate setting staff of DMA and the DMH/DD/SAS jointly reviewed the forecasted volume of service costs and the cost models and agreed on rates and anticipated utilizations to arrive at the proposed FY 2006 Medicaid rates.

The Department of Health and Human Services is appreciative of and welcomes input regarding these proposed rates prior to finalization. In order to effectively address and respond to concerns regarding these rates, it is necessary for DMA, DMHDDSAS and the Controller's Office to focus on issues brought to us from a representative sample of actual service providers. For consideration of any discussion of the new proposed rates, DMA, DMHDDSAS and Controller's Office rate setting staff will seek data and analyses from at least three providers for each service for comparison. This data must include the assumptions and the calculations to arrive at cost figures from financial statements which must accompany the cost data.

The selection of providers to submit cost data will be done in a new way. The selection of providers will come from a provider database being developed by DMH/DD/SAS. We find this is necessary since many providers currently bill for services through area programs; thus they are not visible to the State. DMHDDSAS and DMA will select a representative sample of providers from the providers currently listed in the s provider database in addition to specific provider recommendations from various provider organizations in order to review the attached proposed rates for implementation July 1, 2005. The process will bring together the providers with DMA, DMHDDSAS and Controller's Office staff to walk through the new services and rates. If providers disagree with any of the proposed rates, they will have the opportunity to submit data to DMA, DMHDDSAS and the Controller's Office, as described above, for the purpose of rate reconsideration. The participating providers will have until November 19, 2004 to submit their cost data. The providers selected for this review process will be listed on each Division's web page. Following this review, final rates will be presented to the DHHS Rate Review Board for approval and implementation.

In the future, it is our intent for the provider database to become more comprehensive. The database will consist of providers who have expressed a willingness to participate with DHHS staff in future meetings around rate and policy issues. This database will be developed as follows:

1. DMHDDSAS and DMA will send out a communication to providers, provider organizations, LMEs, etc., prior to November 1, 2004, informing them of the provider database and indicating how providers can express their willingness to participate;
2. DMHDDSAS will set up the database on its public web page through which providers can indicate their willingness to participate by entering the required provider information such as, services provided, agency budget, sources of revenues, incorporation status of the provider, number of consumers served, etc/

DMA and DMHDDSAS will make development of the provider listing an open and widely publicized process to ensure that all providers who are willing to participate have the opportunity to sign up. By rotating provider participation around subsequent rate and policy issues, DHHS will seek to broaden provider representation and input into the various rate and policy issues which impact MH/DD/SA service development and operation. Rotation of provider representation will also help ensure that providers with relevant experience are involved in related rate and policy issues.

If you have any questions or concerns regarding the attached proposed rates, please contact Bill Connelly of DMA at (919) 855-4200. If you have questions or comments regarding the process for involving providers, please contact Spencer Clark with DMHDDSAS at (919) 733-4670.

MM/GF/ph

Attachment

cc: Secretary Carmen Hooker Odom  
Lanier Cansler  
County Managers  
Area/County Finance Officers  
DMH/DD/SAS Executive Leadership Team  
Barbara Brooks  
Mark Benton  
Nancy Henley  
Laketha Miller  
Sandra Trivett  
DMA Assistant Directors  
Pat Jeter  
Wanda Mitchell  
Rick DeBell  
Kaye Holder  
Carol Duncan Clayton  
Patrice Roesler  
Mike Mayer  
Bob Hedrick  
MH/DD/SAS Professional Organizations and Groups  
MH/DD/SAS Stakeholder Organizations and Groups